

INTERMODAL TRANSPORTATION

Y 4. EN 2/3: 103-165

Intermodal Transportation, Serial N...

HEARING
BEFORE THE
SUBCOMMITTEE ON
TRANSPORTATION AND HAZARDOUS MATERIALS
OF THE
COMMITTEE ON
ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

OCTOBER 5, 1994

Serial No. 103-165

Printed for the use of the Committee on Energy and Commerce



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INTERMODAL TRANSPORTATION

WEDNESDAY, OCTOBER 5, 1994

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON TRANSPORTATION
AND HAZARDOUS MATERIALS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:55 a.m., in room 2322, Rayburn House Office Building, Hon. Al Swift (chairman) presiding.

Mr. SWIFT. The subcommittee will come to order. I apologize to all of the participants for the delay in beginning the hearing. Toward the end of a Congress, the always unpredictable schedule gets even more frantic.

For too long this country has thought of its transportation system—has thought of it in individual terms of cars and trucks and trains and planes and ocean carriers and so forth. The belief that people and goods travel from place to place using a single mode of transportation is no longer realistic when the goals are getting there on time in the safest and most cost-effective manner. In short, single-mode transportation must make way for intermodalism.

In 1991, the Congress enacted the Intermodal Surface Transportation Efficiency Act. That legislation created the National Commission on Intermodal Transportation, which was charged with undertaking an exhaustive investigation and study of intermodal transportation in the United States and internationally. Throughout this year, the Commission, which includes a diverse group of members representing the transportation industry, State and local governments, advocacy groups, academia, and the general public, conducted a series of meetings and site visits in various locations throughout the country.

Last week, the Commission delivered its final report to the Congress, which details its findings and recommendations for improving intermodalism; and even this late in the session, I wanted to be sure that Congress responded to their work by having a hearing to understand and to disperse some of the information that they have gathered and some of the recommendations that they have made.

Some of the Commission's recommendations build on what is already occurring in our transportation system. Other recommendations suggest that we need to do things in dramatically different ways. Transportation, getting people and things from one place to another, plays a tremendously important role in our society when

you consider that, on the average, one-sixth of an American household's expenditures go for transporting goods and services.

Intermodalism has much to offer, whether it is reducing congestion in our Nation's infrastructure, increasing our competitiveness in the global economy, or simply improving the quality of life of the elderly, the disabled and the economically disadvantaged by making it easier for them to get from place to place.

The Commission got off to a late start, due to a lack of initial funding, but still managed to produce a final report in a timely fashion; and their hard work in such a short period deserves high commendation.

I am happy to recognize the ranking Republican on the subcommittee, the gentleman from Ohio, Mr. Oxley, for an opening statement.

Mr. OXLEY. Thank you, Mr. Chairman. I want to mention at the outset that this will be the last subcommittee hearing under your chairmanship, and although we have disagreed occasionally, as inevitable when we are on opposite sides of the aisle, I found your chairmanship of this subcommittee to be unimpeachably fair and businesslike. Our staff has had a similarly positive experience working with your staff. We will miss your industriousness, your fairness and good humor and we wish you well in your post-congressional endeavors.

Mr. SWIFT. I have to tell you, I have been fortunate in my service in Congress in almost always having superb Republicans to work with. Some of the intense partisanship that goes on in this place is hard for me to understand, given the relationship that we have had—that you and I, in particular, have had. Of course, we disagree. I mean, that is what the democratic process is about, so diverse points of view get heard, but also we are here to solve problems; and I have always found you and your side willing to entertain ways of solving problems. And, hence, it was easy to be fair and cooperative because you were fair and cooperative, and I thank you very much.

Mr. OXLEY. I thank the Chair for his kind words.

As for today's business, I want to commend you for focusing attention on the important work of the National Commission on Intermodal Transportation. Our various forms of transportation are becoming more and more intertwined and interdependent.

Much of this activity is market driven, as it should be in a free enterprise economy. For example, our railroads and trucking companies are now working more closely together than ever before to take advantage of each other's strong points to provide better overall service to their customers. Government should, at the very least, not stand in the way of such cooperation and ideally should promote it.

Unfortunately, government excels at pigeonholing and classifying all sorts of things arbitrarily. That seems to be part of the problem with transportation policy. We need to put more emphasis on the big picture and less on specialized, arcane regulation. If the Commission helps to move us in that positive direction, and I think it will, it will have performed a true national service.

I look forward to today's informative hearing, Mr. Chairman, and I ask unanimous consent that the statement of the member, Mr.

Moorhead, the ranking member of the full committee, be made part of the record at this point.

Mr. SWIFT. Without objection.

And I would ask unanimous consent that statements from any members of the subcommittee be inserted in the record at this point.

Without objection, so ordered.

We are happy now to welcome to the witness table Robert Krebs, who is chairman of the National Commission on Intermodal Transportation. I am going to ask unanimous consent that the full written statements and any documents attached thereto of all of our witnesses today be made a part of the record.

Without objection, so ordered.

Mr. Krebs, we welcome you. We thank you very much for taking this time to share with us the work of your commission. We commend you on that work and are happy to have you proceed in any fashion you choose.

STATEMENT OF ROBERT D. KREBS, CHAIRMAN, NATIONAL COMMISSION ON INTERMODAL TRANSPORTATION

Mr. KREBS. Thank you, Mr. Chairman.

First, I would like to express the full Commission's appreciation for your kind words regarding the effort we have done. We firmly believe in intermodalism. We, just as you, realize the tremendous benefits to our Nation's transportation system from intermodalism; and as you say, we have been working in earnest since January in order to bring our report forward to Congress.

We presented that report on September 29th, one day early, under budget, or on budget anyway; and also as you point out, we have a very diverse group of commissioners and our recommendations are unanimous.

There are two overall themes to our report that I would like to begin by stressing. First, we do believe that intermodalism can take up the slack or help compensate for a shortfall in funding for our Nation's transportation infrastructure, and as you say, this will provide the citizens and the industry of our Nation lower-cost transportation, better service, will reduce congestion, improve the environment and in general provide a higher, better quality of life for our Nation's people.

Intermodalism, as we stress in our preamble, is the interconnection among modes of transportation, the use of multiple modes, more a single trip and coordinated policy and decision-making that allows that to be possible.

The other overall point we would like to make is that the planners and policy-makers must think in terms of moving people and goods, not vehicles and modes themselves. Kirk Brown, who is secretary of transportation in Illinois, said it just right. He said the number one barrier to intermodalism is not infrastructure; it is our thinking and our institutions.

Our first group of recommendations go right to the heart of setting up an intermodal transportation network in America that has all the various modes and connectors as part of that network. We believe on the freight side, just as Mr. Oxley has said, that the pri-

vate sector has done a great job bringing intermodalism to America's transportation.

I work for the Santa Fe Railway; we are only the seventh largest railroad in the United States, but this year we will handle 1.5 million intermodal moves—that is, trailers and containers on flat-cars—just on our railroad alone. We are spending hundreds of millions of dollars at the Santa Fe to improve our infrastructure and provide transportation infrastructure for America. All of this comes about because of deregulation and the working of the private sector, and we strongly urge that Congress and the administration continue to allow this to happen.

There are two areas where we need some help. One is with the connectors, connecting the various modes of transportation. The other is in the area of rail-highway grade crossing safety and the elimination of all grade crossings eventually on the national highway system and also, some day, on the entire national transportation system, where practical.

In the area of passengers, we think that there is a larger role for the Federal Government to play, particularly in providing an inter-city rail passenger system that connects all of the passenger transportation network of America. What that boils down to is that we think Amtrak has a critical role to play and that there needs to be a stable source of funding for Amtrak.

Our second group of recommendations goes directly to funding. First of all, we think that ISTEA should be funded at authorized levels, fully funded. That means an increase of about \$1.3 billion a year. We know that isn't going to eliminate what the Federal Highway Administration has said is a \$300 billion backlog in transportation infrastructure funding, but we think that it can help, and we also think that the economic multiplier associated with transportation spending will have great benefit for our Nation.

We also believe that we need more innovative funding. We think there needs to be more private and public sector cooperation. We think that there should be more flexibility in funding and more eligibility for intermodal projects, and we would include in that category things like the connectors between modes, multiple—multimodal passenger terminals and railway and highway grade crossing projects and clearance projects. We think those projects should be funded if they meet the following criteria.

Number one, there should be a demonstrated public benefit; number two, there should be support from the private sector entity involved; and number three, these projects should not be undertaken to benefit one private company in the competitive marketplace.

We think that the Federal funding for projects of national or regional significance, intermodal projects, should have priority and that the Secretary of Transportation should have some say in that and should have the ability to designate some of those projects.

We also think that we need to expand the intermodal focus of research, education and technology, and the Office of Intermodalism is the right place to do that.

Finally, we have some recommendations to make concerning government institutions. We think that the U.S. Department of Transportation eventually should be restructured to better support

intermodalism. Many of the Secretaries of Transportation in recent years have suggested that there should be one surface transportation administration in the Department of Transportation. We also recognize that the National Academy of Public Administration recently made the same recommendation. We know it is hard to make that change in the middle of an administration, so we think there are some things, in the meantime, that can be done to better bring intermodalism to the front at the Department of Transportation. We think regional offices, the modal administrative offices, could be combined regionally, and we think that the Office of Secretary should have some more strength.

Finally, we can't help but recognize in Congress that there are six committees that have policy jurisdiction over transportation, and there are two appropriations and two budget committees that have to do with funding of transportation, and sometimes we think that should be streamlined as well.

We think that the Department of Transportation should have concurrence on other Federal agency actions that affect transportation. A good example recently is the Federal implementation plan that EPA has promulgated in Los Angeles. If that plan is implemented, it will shut down maritime, rail and highway transportation, and it is just not feasible. We think that if there was more coordination ahead of time, we would have better policies promulgated, and we think that a White House Cabinet council to facilitate the integration of those policies would be a good idea.

We also believe that the MPO process should be strengthened. We think that the MPO's are the right place for people to make transportation policy decisions, but we want them to know more about the freight sector and we think there should be more private sector involvement.

In conclusion, I would—I would like to recognize all members of the Commission. You are going to hear from Tom Donohue and John Roach shortly. Also with us is Ed Hamburger, another member of the Commission.

We certainly enjoyed and appreciated the opportunity to provide this report to Congress. Our hope is that this report will be helpful as Congress considers, over the next year or two, reimplementation of ISTEA legislation; and that we can also be helpful to the administration as the administration continues to develop its intermodal policy for America.

Thank you very much.

[The prepared statement of Robert D. Krebs follows:]

STATEMENT OF ROBERT D. KREBS, CHAIRMAN, NATIONAL COMMISSION ON
INTERMODAL TRANSPORTATION

My name is Robert D. Krebs. I am chairman of the National Commission on Intermodal Transportation. I am also chairman, president and chief executive officer of Santa Fe Pacific Corporation and the Atchison, Topeka and Santa Fe Railway. Santa Fe is the Nation's seventh largest railroad, with annual revenue of \$2.4 billion and 15,000 employees. Intermodal shipments account for 45 percent of Santa Fe's revenue, and this business is growing rapidly. During 1994, Santa Fe will handle about 1.5 million intermodal shipments.

I appreciate this opportunity to address the subcommittee, and to present the final report of the National Commission on Intermodalism Transportation. Intermodalism, as the Commission's report demonstrates, has much to recommend it. In these times of fiscal restraint intermodal transportation brings many opportunities to gain maximum benefits from minimum resources spent. Encouraged by the

vision of ISTEA, the U.S. transportation system is beginning its transformation to an intermodal system. The Commission's recommendations were developed to speed this transformation.

The National Commission on Intermodal Transportation started working in earnest on January 10, 1994, after a meeting with Transportation Secretary Peña. The Commission hosted 18 outreach sessions and received testimony from more than 250 individuals representing industry, state and local governments, transportation planning authorities, and advocacy groups. The process involved extensive deliberations among the 15 members of the Commission and concluded with consensus on 12 recommendations for improving intermodal transportation.

There are two observations concerning intermodalism I would like to make before highlighting the Commission's recommendations. First, intermodalism can help compensate for the \$300 billion infrastructure deficit, as estimated by the Federal Highway Administration, which has developed in our Nation. By maximizing the benefits of individual transportation modes and linking these modes in an integrated National Transportation System, intermodalism can offer lower costs, better service, reduced congestion, and improved environmental conditions and quality of life.

Second, it is clear to the Commission that transportation planners and policy makers need to shift from their traditional focus on vehicles and modes to focus on moving people and goods. Kirk Brown, the Illinois Secretary of Transportation, told the Commission that the number one barrier to intermodalism is not infrastructure—it's our thinking and institutions.

The Commission's first group of recommendations addresses the policies needed to envision our national transportation infrastructure as a unified system:

(1) Maximize safe and efficient movement of passengers and freight by incorporating individual modes into a National Intermodal Transportation System.

(2) Foster continued development of the freight intermodal system.

Deregulation and the need to meet customer expectations have led to dramatic growth in freight intermodalism. Nationally, shipments are up 14 percent over last year; U.S. freight railroads will handle 8 million intermodal shipments this year, compared to 7 million in 1993.

Private sector investment in intermodal freight facilities is increasing rapidly to handle this growth. For example, just 2 weeks ago, Santa Fe dedicated a new \$75 million intermodal terminal in Chicago. Earlier this year, the company opened a \$100 million facility near Ft. Worth, Texas. Other railroads are making similar investments.

But the private sector does need help, particularly with "connectors"—the links between interstate highways, ports, and rail terminals. The Commission recommends that these connectors be added to the National Highway System (NHS) within 1 year of approval of the NHS. In addition, because grade crossing accidents are one of the biggest safety problems in our national transportation network, the Commission recommends eliminating grade crossings from the NHS, where practical.

(3) Government has a larger role to play in developing urban, rural, and intercity passenger intermodal networks, including improving the intercity rail passenger system. Amtrak, in particular, must have adequate and stable capital funding to be a viable alternative and adjunct to air and automobile travel.

The Commission's second group of recommendations focuses on transportation investments:

(1) Fund ISTEA at authorized levels. For 1994, the shortfall between full funding of ISTEA and actual appropriations was \$1.3 billion. Closing this gap will only make a small dent in our Nation's backlog of infrastructure projects. However, the critical nature and economic value of transportation investments clearly justifies such investments. Studies highlighting the economic returns—often called multiplier effects—of infrastructure investments typically conclude that moderate increases in government transportation investments typically yield extraordinarily high returns.

(2) Expand innovative funding for transportation. Joint public/private development of facilities, such as the proposed King Street Station project in Seattle, is a good example.

(3) Greater flexibility and expanded eligibility are needed for funding intermodal projects. The Commission recommends funding connectors that link the interstate highways, ports, rail yards, airports, and freight terminals; funding multi-modal passenger terminals, and funding rail and highway projects, such as grade crossing eliminations, bridge clearance projects and other joint use ventures that increase system capacity. To qualify for funding, the Commission feels such projects must demonstrate public benefits, have support of both the sponsoring public body and

appropriate private sector organizations, and not disrupt private sector competitiveness.

(4) Federal funding incentives are needed for intermodal projects of national and regional significance. The Commission recommends that Congress provide special funding annually to support such projects. The Secretary of Transportation should select projects from submissions by the States and metropolitan planning organizations (MPO's) for this augmented funding.

(5) Expand the intermodal focus of research, education, and technology development. The Office of Intermodalism has responsibility for coordinating Federal research on intermodal transportation, but it needs additional resources to fulfill this responsibility.

The Commission's final group of recommendations involves government institutions:

(1) Restructure the U.S. Department of Transportation to better support intermodalism. This has been suggested by nearly every outgoing DOT Secretary, by the National Academy of Public Administration, and by other groups. The Commission recommends creating a Surface Transportation Administration within DOT.

Secretary Peña is to be commended for his initiatives in forging task forces and partnerships across the modal administrations. DOT has many formal and informal efforts underway to break down the modal barriers. Ultimately, however, the modal structure of DOT is a fundamental barrier to achieving the intermodal vision of ISTEA.

Steps that can be undertaken immediately, prior to restructuring, include combining regional DOT offices and providing the Office of Intermodalism with adequate resources to lead DOT's intermodal initiatives.

Similarly, the Congressional committee structure should be streamlined. Six committees now share jurisdiction for transportation policy; funding decisions are dispersed among two appropriations committees and two budget committees.

(2) Streamline transportation planning and project delivery processes. Intermodal projects are particularly susceptible to delays under current procedures because they are typically more bureaucratically complicated than single mode projects. The cooperation and innovation demonstrated in returning the transportation network to service in the wake of the January 1994 Southern California earthquake must become the rule, not the exception, for transportation projects.

(3) Require Department of Transportation consensus on other Federal agency actions that affect intermodal transportation. Several examples of Federal rules and policies which have been adopted seemingly without regard to their implications on our Nation's transportation system were presented to the Commission. The most dramatic example is the Federal Implementation Plan to improve air quality in Southern California, which will have serious consequences for transportation and the economy of that region if implemented in its current form.

The Commission recommends creating of a White House Cabinet Council to facilitate the integration of Federal transportation and environmental policies.

(4) Strengthen the MPO process. The Commission urges MPO's to expand their knowledge of freight, and urges participation by private sector freight carriers and shippers in the transportation planning process.

In conclusion, I want to stress that not all intermodal transportation problems require Federal solutions. Federal policies should support private sector innovations, provide maximum flexibility for state and local transportation officials, and not intrude unnecessarily into private sector operations.

Today, the Federal Government has an opportunity to advance development of transportation. Government can speed the shift to intermodalism by both stepping in and stepping aside. The Federal Government should step in with carefully directed financial support and step aside by reforming the cumbersome planning and decision making mechanisms that impede efforts to link the modes into a seamless transportation system.

Mr. SWIFT. Mr. Krebs, thank you.

The work of the Commission I think is very important, and as a member of Energy and Commerce, I have always thought that the Committee on Public Works did an extraordinarily good job in putting ISTEA together and were cooperative with us in getting the rail section in as well.

ISTEA has been credited with basically changing the landscape of transportation planning across the board. It has been in effect roughly 3 years. In your assessment or that of the Commission,

how well do you think the idea of intermodalism is catching on, or does it need a salesman out in front in order to sell it?

Mr. KREBS. I think it is catching on, but I still think it has a long way to go. In our outreach sessions across the country, and we held 18 of them, we heard more and more about the need for each mode to be considered in the entire transportation picture and for each mode to be used to its fullest extent.

In the freight area, I think the MPO process has a long way to go, and I think that many MPO's are just beginning to think about freight intermodalism. In the passenger area, there is certainly a growing awareness of the benefits of intermodalism.

Mr. SWIFT. You mentioned passenger service, and I am enormously pleased that the Commission not only saw a role for Amtrak to play, but indicated there has got to be a source of stable funding, one of the frustrations that this committee has dealt with over the years. Down the line in the future, there is going to be—I think some conflict already exists—some conflict between freight carriers and passenger service over utilization of the same tracks.

When we get to high speed, that will tend to take care of itself. It is that interim period which may be a very significant amount of time and may be a time during which freight carriers are going to have increasing use of those tracks.

Did the Commission at all examine what might be done to help get us through that interim time when we have the multiple use of those tracks?

Mr. KREBS. We had a number of discussions on the subject. I think our conclusion was that each individual instance is best considered according to its own particular circumstances.

One of the examples that—we have two examples that we pointed to as success, win-win situations. Both of those happen to reside on the Santa Fe, so I am very familiar with them. First of all, in the Los Angeles Basin, we made a deal with the five counties involved in the Basin to turn over some of our tracks and provide some capacity on our other tracks to run a heavy rail commuter system.

We were able to do that and continue to accommodate all the freight traffic, the intermodal freight traffic especially, we have going into the Los Angeles Basin; and the way we did that is, we agreed on a plan where we would increase the capacity of our main tracks, and the counties helped fund that. As a result, they will eventually run 100 commuter trains a day while we can still continue to provide freight to the people of Los Angeles, which is so important.

Another good example is up in the San Joaquin Valley, where we made a similar agreement with Cal-Trans to increase the number of Amtrak trains running between Bakersfield and northern California, at the same time being able to accommodate our freight. But we sat down, both parties came to the table, negotiated hard and long, and we reached agreement and we think it is very important that agreements be reached in every circumstance.

Mr. SWIFT. And I think that the more freight railroads see their long-term advantage in helping rail through the period and on ultimately to their own tracks and high-speed rail, seeing that as the goal, rather than getting hung up on some of the interim problems

that will need to be worked out, the better off everybody is going to be in the long run. But because that may be a fairly prolonged period of time during that transition, there are going to be some tensions inevitably, and they will have to be worked out.

Your report, the Commission's report makes the case that the weakest links in the transportation system are points of transfer between the modes; and you mentioned that adding connectors—in your testimony, you specifically mentioned connectors to the national highway system as one way to strengthen the links in our system.

Are there changes, either institutionally or in terms of investment, that could be made that would help strengthen those links?

Mr. KREBS. Well, part of the problem right now is that the connectors are left out because the various modes just consider their own particular means of transportation, so nobody is responsible for bringing them together; and so some of the institutional changes we recommended and some of the flexibility of financing that we recommended is very critical to our getting the connectors beefed up.

A good example of a connector is the Alameda corridor, again in the Los Angeles Basin. What that is is that is going to be a rail corridor that connects the Los Angeles ports to the rest of the rail system and greatly facilitates the movement of imports and exports to and from our Nation.

There is no specific area right now for funding that particular project. That is the kind of project we talk about as being very important, and we also think the Office of the Secretary should have some authority to designate as a very important national or regional project.

Mr. SWIFT. One last question. You referred to the EPA very late in your testimony, and I didn't quite get what the exact nature of the problem was. I heard the proposed solution, but could you just repeat for me what the problem with EPA was?

Mr. KREBS. Sure. I will give you that example plus one other. Because of the—of requirements set about by law, the Environmental Protection Agency had to announce or propose regulations to improve air quality in the Los Angeles Basin; and the regulations or the activities that it recommended would be impossible for the transportation system in the Los Angeles Basin to comply with. We would shut down ships coming into the Los Angeles harbors, we couldn't run trucks on the highway and we couldn't run the rail system. So they just aren't feasible.

So what we recommend is that they get together ahead of time, that the Secretary of Transportation have some say before these rules are promulgated, so that we can find workable solutions where we can accomplish both purposes, clean up the environment and also keep the transportation system going.

Another good example has to do with dredging ports. Our sessions around the Nation led us to understand that—Boston on the East Coast and Oakland on the West Coast—ports aren't dredged because—again, because of EPA regulations; which means ports can't operate and, again, we have trouble handling the Nation's imports and exports.

The President of the United States went out to Oakland and heard about that and finally we got the port dredged, but it shouldn't take the President of the United States to do that.

Mr. SWIFT. Both Mr. Oxley and I have some scars and callouses from clean air fights, and I think you are correct, some of the problem is in the law. EPA doesn't have the flexibility to do some of that. In addition to which, finding some mechanisms to get some additional coordination of policy, both at the congressional level and within the administration, on a whole raft of things is really necessary; and I don't know that we found out how to do that yet.

Certainly on a number of other issues we have worked at, you have got two agencies going in opposite directions, and it really doesn't make much sense. So we know what you are talking about, and I think this committee and the full committee have jurisdiction over some of the laws that can help and work with us; and I think obviously Public Works, as you follow up your effort on the report, and maybe down the line we can help.

I recognize the gentleman from Ohio.

Mr. OXLEY. Thank you, Mr. Chairman.

I just have a couple of questions for you, Mr. Krebs. You mention in your statement that deregulation has helped promote intermodal transportation. Could you give us some examples of how rail and truck deregulation has allowed companies like Santa Fe to serve their customers better?

Mr. KREBS. Well, deregulation takes any umbrella of protection off of an industry, and I can speak firsthand of what it has meant in the rail industry. We were forced to become more competitive. As a result of competitive forces, once you have to go out and compete for business on rates and service, you either get your act cleaned up or you perish.

At Santa Fe, we are handling with 15,000 people now more business than we handled in 1988 with 25,000 people. Our revenue-ton-mile per employee has increased 8 percent, compounded annually, for the last 5 years. Our service is now up to almost 90 percent on time, dock, whereas 3 or 4 years ago it was around 65 percent. Our safety record has improved considerably.

For instance, we have had half the injuries to employees on our system this year that we did just last year alone, and it has been coming down for 4 years. Once we got competitive and once we got our costs down, then we could go out and attract business to our railroad. Once we provided service that is good as team drivers on the interstate highway system, then truckers would come and use it because they could provide service to their customers that was just as cheap or cheaper and the service was better. J.B. Hunt, one of the largest truckload carriers in America, is now moving 3,500 loads a week, 3,500 truckloads a week on the Santa Fe system between the Midwest and California; and 3 or 4 years ago, that was all moving on the interstate highway system. The customers get service that is just as good. It is cheaper because many of the benefits get passed on to the customers, and that really just improves transportation for everybody.

Mr. OXLEY. You had mentioned the lowering of injuries in your company with the competitive mode. I think traditionally it was always thought that a regulated entity would be almost automati-

cally safer. I wonder if you could just give us some examples as to how the competitive nature of the business—and ironically in, what, a short period, 4 or 5-year period, which is dramatic. I wonder if you could give us some examples as to why the competitive mode works in terms of reducing work-related accidents.

Mr. KREBS. Well, I think there are two reasons. First of all, once you are deregulated and once you have to run a company based on its excellence or its survivability, you decide you are going to get better in everything. At Santa Fe, we set, for instance, a vision to be a leader in our industry, and that means not just in cost and service, but in safety as well. So there is a fallout or an overflow of this need to improve in all areas of your operation.

The second thing that happens is, if you are safer, you spend less money. So that is another very important thing. In the railroad industry, with the Federal Employers Liability Act, there is a real reason for us to try to get our costs down because we spend a lot of money with lawyers and pay a lot of lawyers a lot of money because of the Federal Employers Liability Act. It doesn't do us any good and doesn't do anybody else any good, so there is a real impetus for us to reduce injuries.

Mr. OXLEY. Thank you.

You mentioned the EPA's Federal implementation plan for southern California as an example of a major regulatory action affecting intermodal transportation. But taken with no apparent accounting for transportation considerations. When you discussed this overall problem within the Commission, did you have in mind any particular process for implementing what the report calls DOT concurrence in other Federal agencies' actions?

Mr. KREBS. Well, we think the place to start is a White House Council that the President would appoint and perhaps members of the various agencies, maybe the heads of the Department of Transportation, EPA, would participate in, where they would be able to discuss what kind of a process or procedure would make sense, something that would coordinate and provide communication among the agencies.

Mr. OXLEY. Thank you.

Thank you, Mr. Chairman.

Mr. SWIFT. One last question occurs to me, Mr. Krebs.

There has been discussion from time to time, and we are going to talk to DOT about restructuring DOT. Did your Commission look at all into what a restructuring of the Department of Transportation itself might do in terms of intermodalism?

Mr. KREBS. Well, the biggest recommendation that we have is that there be one surface transportation agency or administration, and that would include maritime and rail and highway or truck. I think every Secretary of Transportation in the last couple of decades on the way out the door has recommended that, but they always recommended it to their successor. And we also, as I said, realize it is difficult to do in the middle of an administration, so in the meantime, there is a lot of coordination that can go on, especially out in the field. If they would put their regional agencies together, at least in the same location, and hopefully in the same office, that would be helpful, because then they would be commu-

nicating with each other and they would have a more coordinated policy to the people in the field.

We also think the Office of the Secretary and the Office of Intermodalism need to be bolstered, because right now, with the various modal agencies, it really is up to the Office of the Secretary to put everybody's priorities together and to come forward with a cohesive, coordinated intermodal policy; and we also think that the Office of Intermodalism can play a larger role in that. We couldn't help but point out that in the Federal Highway Administration, that Office of Intermodalism, which is part of the Highway Administration, has more money and more resources than the Office of Intermodalism—than the Secretary has. It doesn't make sense to us.

Mr. SWIFT. Mr. Krebs, thank you very much. A commendation again on the work of your Commission. It seems to me it is very valuable and that Congress and the administration would do well to pay close attention to it. Thank you for the time to be with us.

Mr. KREBS. I would also like to echo Mr. Oxley's sentiments. I would like to thank you as a citizen of this Nation for your participation in Congress and for everything you have done for our country and for transportation.

Mr. SWIFT. Aren't you kind? I appreciate that. Thank you.

I think to give everybody an idea kind of where we are going, I am hopeful that we can be done here by about 11:30 or shortly thereafter, and I notice that the statements today are very pithy and quite brief, and I thank you all for that as well.

We are happy to welcome as our second witness Michael P. Huerta, who is Associate Deputy Secretary and Director of the Office of Intermodalism in the United States Department of Transportation.

Mr. Krebs has just said that you should be made more important, so we will treat you as though you are more important. You may proceed as you wish.

STATEMENT OF MICHAEL P. HUERTA, ASSOCIATE DEPUTY SECRETARY AND DIRECTOR, OFFICE OF INTERMODALISM, DEPARTMENT OF TRANSPORTATION

Mr. HUERTA. OK, thank you very much, Mr. Chairman. It is really a pleasure to be here today to testify before the Subcommittee on Transportation and Hazardous Materials on the report of the National Commission on Intermodal Transportation, toward a National Intermodal Transportation System.

And I would also like to second the comments that have already been made about your leadership on overall transportation issues and, in particular, your interest in bringing this intermodal discussion to the forefront; and for that, on behalf of the administration, I would like to thank you.

As you are probably aware, this Commission—in fact, as you noted in your opening statement, this Commission was established by section 5005 of the Intermodal Surface Transportation Efficiency Act of 1991, and was funded by the Department of Transportation and Related Agencies Appropriations Act of 1994. Initially, the Commission consisted of 11 members appointed by the congressional leadership and the previous administration. And one of the

first acts of the Commission was to request the Secretary of Transportation, Federico Peña, to name four additional persons who would serve as members, which the Secretary did.

The Commission was very ably chaired by Robert Krebs, its chairman, as well as the chairman, president and chief executive officer of Santa Fe Pacific Corporation and the Santa Fe Railway Company. As you noted, the Commission included an extremely diverse membership representing all segments of the transportation industry. My formal statement names them all and their affiliation, and I would just like to note that when you look at the diversity of the Commission and you look at the consensus of their recommendations, that is where you really see the significance of what is being talked about here: the fact that such a diverse group of Americans would, among themselves, be able to achieve consensus in this important area.

I would like to begin by thanking the Commission for its work, and I would like to congratulate the Commission for its ability to deliver its report ahead of the rigorous schedule it established for itself when it began its work in earnest last January. It is also important to note that the report, as I mentioned earlier, is a unanimous report, with no dissenting opinions; and I believe it is quite significant because it demonstrates that individuals who are experts in their respective fields of activity—and presumably they have very, very different opinions—can nonetheless reach consensus on these important transportation issues.

The basic theme of the report, as Chairman Krebs has just stated, is that intermodalism is critical and lies at the heart of the Nation's transportation system. The Commission argues that by improving intermodalism, we will improve the transportation system. The Commission strongly states that intermodalism can help us get additional capacity out of our transportation system. The report reaffirms the wisdom of Congress, expressed in ISTEA, which amended the policy standards for transportation by adding the following language:

"Intermodal transportation: It is the policy of the United States Government to encourage and promote development of a national intermodal transportation system in the United States to move people and goods in an energy-efficient manner, provide the foundation for improved productivity growth, strengthen the Nation's ability to compete in the global economy, and obtain the optimum yield from the Nation's transportation resources."

As for the Department's formal comments on the specific recommendations of the report, I would like to state that we have just received the report and the Secretary was briefed on its findings last Wednesday by the Commission. The Secretary has committed that there will be a thorough departmental review of the report and its recommendations, which we will provide to the Congress early next year.

Today, I would like to provide some comments on my initial review of the report and suggest that it is consistent with and strongly supportive of many of the initiatives of Secretary Peña. Among other things, the report supports quick passage of the National Highway System by Congress as the Secretary has recommended, and it strongly supports the Secretary's National Transportation

System initiative. Given the limits on public funding for transportation, the report recommends exploring innovative financing approaches and commends the DOT effort which is currently under way.

The report recommends actions to reduce barriers to the flow of freight, particularly at borders, which is consistent with the Secretary's concerns about border crossings, and the report recommends increased levels of support for Amtrak, which is consistent with our budget proposals.

There are other areas in which the report breaks new ground, including a recommendation that there be new authority for the Secretary of Transportation to identify and fund intermodal projects that are truly of national or regional importance. The report also concludes that transportation programs need additional funds beyond those currently appropriated. Moreover, the Commission recommends that institutional restructuring be considered for transportation programs at the appropriate time. The recommendations that go beyond current initiatives are being carefully considered by the Department and will be elaborated on in our more formal review of the report.

To conclude, as the senior Department of Transportation official responsible for intermodalism, I have become very aware of the central role intermodalism plays in our Nation's transportation system. However, I am also quite frustrated by the realization of how far we yet have to go to achieve a truly intermodal national transportation system. I believe the Commission's report will serve to advance the national understanding of this critical but not widely understood concept of intermodalism. The need to define a new way of looking at the transportation system, and how it is working, is an important question and lies at the heart of Secretary Peña's initiative to identify a national transportation system.

I would also like to thank the Commission for its fine and speedy work on this extremely complex subject, and I look forward to providing a detailed assessment of their report to this committee in the future.

Thank you. I would be pleased to answer any questions.

Mr. SWIFT. Thank you very much.

One of the institutional changes that the Commission recommended is the one, and Mr. Krebs referred to it, that every Secretary of DOT has proposed on his way out the door is that DOT needs to be restructured. What do you, what does Secretary Peña, what is the Department's attitude toward that; and what do you think—particularly as it relates to surface transportation, what do you think might, in fact, get done?

Mr. HUERTA. This is obviously not a new subject. It has come up, as Mr. Krebs mentioned, in the recommendation of every preceding Secretary of Transportation; and it is also something that we have discussed at length in the context of the Vice President's National Performance Review.

I think it is important to point out that there are two sets of issues. There are the institutional issues and the programmatic issues, which involve much better coordination in what we are doing in DOT. As they relate to the programmatic issues, Secretary Peña has set in motion a number of policy initiatives that encourage

more conformity among the various DOT programs, where we have the flexibility to do so, and better mechanisms for communication between our modal administrations. This is particularly well developed at this point in our relationships between the Federal Highway Administration and the Federal Transit Administration, which are trying to conform their programs as much as possible and ensure that there is, as transparent as can be within the current structure, a relationship between those programs.

Clearly, however, institutions—or programs only do part of the job; and I think it is fair to say that the Secretary believes that the institutional question is a good question and something that the Department has to continue to explore.

The Commission has recommended that a good place to start would be in the regional structure of DOT; and in that regard, we are pursuing ways that we can make our regional structure a little more user friendly for folks in the field.

It is particularly apparent when doing an intermodal project, that a project sponsor has to go with their project proposals to many different places to determine who needs to be involved in the process and how—at what point they need to be involved in the process and what their participation will be, what approvals are necessary and so on down the line.

We are making efforts to simplify that process, and the way we have been doing it up until now has been by bringing together the regional officials within the Department and asking them to agree to a single framework through which intermodal projects can be considered. We have done work in this area on an intermodal project in Miami which would connect the airport and the seaport. We have similar activities under way in California dealing with a number of projects, one of which is the Alameda Corridor that the chairman mentioned.

We are trying to push the envelope a little bit further by asking our regional representatives to advise us on, if they had their druthers of how the process would work better, how would they set it up; and we are expecting that we will hear some very interesting and innovative comments from out in the regions. One thing that has become apparent is that our representatives in the regions are as frustrated by the fragmentation that they have seen up until now as the people that have been on the receiving end of DOT's services. And so we are going to be carrying out a look at our regional structure, how to improve it, which is of course consistent with the Commission's recommendation.

Mr. SWIFT. Institutional change is the toughest thing in the world. I think it is as tough in the private sector, frankly, as it is in the public sector. I am not one who has spent a career beating up on bureaucrats, because I think they are—they are vulnerable to the congressional bully boy approach, and it is often very unfair.

But I think it is going to take really strong leadership from the Secretary's Office to encourage change when human nature resists it in any individual's own territory. I am glad to hear that there are some frustrations in the regional offices that will help kind of prepare the way for some change, but clearly if the regulators of transportation don't change as transportation changes, you are

going to have a terrible dissonance, which reminds me, I have got to talk to the Federal Railway Administration.

I understand the Commission's report that the Office of Intermodalism in the Department of Transportation has fewer resources than Intermodalism in the Federal Highway Administration. Could you tell me what the differences are between your office and the intermodal office for the other agency, and what authority do you have over the various modes; but particularly what is the difference in the resources you have available and is there a reason that there should be a difference? Is there justification for a difference?

Mr. HUERTA. Talk a little bit about our office first, the Office of Intermodalism in the Office of the Secretary. We are about 10 people, and in the framework of ISTEA, we are set up as a policy office to help foster intermodal transportation through the Department's programs.

The office does not oversee any program of its own. There is not an intermodal fund where we can target resources towards specific intermodal initiatives, and in fact the word—the operative words of our authority are that we shall act as a coordinator, which of course means that we shall have to rely on the broader resources in the modal administrations in order to carry out our work. The way we have chosen to focus is in the area of intermodal projects and issues concerning connections between modes. I think that is consistent with the overall theme of the Commission's report. They have suggested, or several of the commissioners have suggested that when you are thinking in a modal structure, individual modes—and DOT is a collection of modes—then the connections are really sort of gateways from one to the other; but if you are thinking of a unified transportation single, a single transportation system, then the connections really become the heart of the system, and so we have been focusing our efforts in the area of these connections.

That means that a lot of our work in a very nuts-and-bolts framework is how to figure out how to take an intermodal project that does not fit neatly into a single modal program that under our current framework and, nonetheless, move the thing forward. Now, that is a pretty tall order when you have a lot of intermodal projects all across the country. There are a lot of projects, it is a large country and with 10 people, you sort of have to pick and choose what your maximum leverage points are and work each of these projects through the system.

The Highway Administration, on the other hand, does oversee a very large program, and they are also responsible for implementing the planning frameworks that were set in motion under ISTEA; and it is those activities that are within the purview of the FHWA Office of Intermodalism. And the Federal Highway Administration, it is a larger office; I think they have somewhat more resources than we do, and of course, they oversee a very large program and a very large resource pool through which they are able to fund resource training, research, and a wide variety of activities.

We do coordinate with that office, but as the Commission notes, when you are looking in a modal framework, what you are looking at is, how does your system connect to everybody else's system; and

I think the question that they raise is a good one, what is the best for the system overall, and that is one of the things that we will have to sort through as we look at the organizational questions.

Mr. SWIFT. If I understand what you said correctly, you are saying there is some justification for the other office to have more resources because it is covering a larger area of responsibility; is that correct?

Mr. HUERTA. Under our current legal framework, they have been given the authority to ensure that States are developing intermodal plans, and at the same time, the Federal Highway Administration oversees the largest program in terms of surface transportation.

Mr. SWIFT. So are you suggesting that the proper question is not so much, why aren't you equal, but whether or not you have sufficient resources to do your job? Is that—

Mr. HUERTA. That is correct.

Mr. SWIFT. Is that what you are telling me? I think we may ask other members of the Commission if they have other thoughts on that, because if I ask you, if you say, yes, you won't be believed; and if you say, no, I won't believe you, so—I believe that you participated in the forum held last July by the Eno Transportation Foundation.

Mr. HUERTA. I did.

Mr. SWIFT. And one of the issues raised at that forum on intermodalism was the lack of data on which to base decisions on intermodal transfers. How are you working with the MPO's to help them address transportation issues that may have a broader impact than the ones in the local jurisdiction?

Mr. HUERTA. There are a lot of activities in this area. The data question is divided into two areas. The first is, what is raw information about the performance of the system, just individual data points that could guide decisions that are made about its overall performance; and then the second is, what are the frameworks and tools that you assemble that data in so that you can understand how to evaluate an investment in one project in one mode versus an intermodal project or a project in another mode of transportation. We are lacking in both of those areas as it relates to the production of information. ISTEA also set up a Bureau of Transportation Statistics to try to develop an overall framework of information that would facilitate intermodal decision-making, and I am pleased to report that BTS is actually moving along quite nicely in the production of intermodal information.

They have produced a couple of products, including an annual report on the state of transportation, and one of the things that they have identified as a significant problem is that, although a lot of data exists, it is not necessarily consistent. Things are reported in different ways across the public and the private sectors and across different modes of transportation.

As one indication, we have many different definitions of what constitutes a transportation-related death, and that raises an obvious question when comparing safety across modes of transportation and investments in safety. So there is a lot of work to be done in terms of ensuring consistency there.

In the area of tools, that is a more difficult area because we are using planning models that are very, very old and which have em-

bedded in those planning models a lot of assumptions that, frankly, are no longer valid. The Department has underwritten a number of research activities to try to improve on this process, and we have also been working closely with the Transportation Research Board and with the MPO's to share information among them so that at least we can be disseminating what are best practices that are out there right now, what seems to work and what doesn't seem to work.

At the same time, we are working closely as I mentioned with TRB, who has been really focusing in this area of tools and models. And there will be a forum that will be convened later on this year in New Orleans which will try to elevate this question and provide some case studies of things that have been tried in doing intermodal comparisons, intermodal decision-making; and I think that will provide a valuable input as well.

At the same time that all of this is going on, of course, we have the President's executive order pertaining to investments in infrastructure, which is helping to give more rationality to the process; and so there are a lot of activities that are going on.

I think it is fair to say that we would like to do more and we would like to push the process more quickly, but as you noted earlier, what we are changing are whole ways of thinking. A lot of the comparison of an intermodal project is simply just bringing everyone to the same place in terms of what do we mean in this mode of transportation and what—how does this industry work versus another industry, and so on down the line.

Mr. SWIFT. I just have two last questions.

Something happened in my district that is almost typical of the kind of thing that drives Members of Congress nuts because I have constituents come and explain government to me. How can it do something this dumb? And there are some answers, none of which are acceptable at home.

The Commission's report gives a number of examples of where there seems to be a lack of coordination, cooperation between modes; and one was that the project manager in the city of Everett was trying to build ten bus bays at the train station; and Federal Highway said it wasn't a highway project, and Federal Transit said it wasn't a transit project, and it fell through the cracks. That is extremely frustrating, and I understand that there are reasons that those things happen.

What is being done to eliminate the reasons that those things happen or to provide some coordination for that kind of thing so that people don't have an "it's-their-job" kind of a situation that they run into?

Mr. HUERTA. There are a number of things going on. There are short-term, and medium-term strategies that we are undertaking to try to overcome that, but I think the longer-term question is still an unresolved question, which is how do we deal with intermodal projects?

In the short term, what is frankly happening is that if they get one answer from the Highway Administration, they get another from the Transit Administration. A lot of those folks wind up in front of us basically saying, this doesn't make sense and our job is to try to sort through that maze. You can sort of think of us as the

complaint department of DOT. If someone is having a problem with an individual modal administration, our job is to try and resolve it and see if there is a way to make this intermodal project happen. We can only do that, however, if we know about a project in the first place; and of course, within the framework of our existing staffing and resources. These projects are extremely time intensive because it means that we need to convene all of the program people from all of the modes, and we need to go through an educational process of how the project might be done.

On a medium-term basis, one of the things that the Department is doing in the area of training is basically educating our own field staffs about the flexibility that they do have. It is one of the things that is not as well understood as we would like, and so what we are trying to do is to ensure that all of the decision-makers who are overseeing the transportation program do understand that they have more flexibility than they have had in the past and that we are encouraging them to use that flexibility.

The final point though is the point that is raised by the Commission, and that is, what is the best way to make intermodal projects happen. And the Commission has suggested that perhaps there need to be certain parameters placed around additional funding flexibility, or perhaps even dedicated funds to provide incentives to make intermodal projects happen. I think those are much larger policy level recommendations that will have to be carefully considered by the Congress and the administration.

Mr. SWIFT. Are the limitations imposed now imposed by law or by regulation?

Mr. HUERTA. Both. In some instances, for example—I will give one.

Under our current frameworks, intermodal projects involving dedicated rail freight facilities are extremely difficult to accomplish because under the surface transportation authorization, in order to make a rail freight project a reality, which might be a connector from a marine terminal onto a main line railroad, it is necessary to make the project look like something else in terms of improvements to air quality or alleviating congestion. But you know—

Mr. SWIFT. That is because of statutory limitations, so we need to be in the business of trying to give you some more flexibility, too?

Mr. HUERTA. I think that would be helpful.

Mr. SWIFT. Last question. This is one you are not going to like at all.

You are planning to get your response to the Commission's recommendations submitted early next year. I would love to have those in 45 days. Let me tell you why. I think this is important, and I would like to leave a package for whoever my successor is to try to get them up to speed as quickly as possible on this issue; and they tend to just throw us out of here rather unceremoniously around December 10. You still have the title, but you don't have any office to go to.

If we could have that before Thanksgiving, it would really help us in being able to put together a nice package for whoever will be dealing with this later; and it has the extraordinary virtue that all of your people would be able to have Thanksgiving without worry-

ing about it. So I would ask you if there is any possible way; we would love to have your responses within 45 days.

Mr. HUERTA. We will certainly try to do it.

Mr. SWIFT. Thank you very much, and thank you so much for helping us.

Our last panel has two commission members, Thomas J. Donohue, who is president of the American Trucking Associations; John G. Roach, who is president of the Roach Consulting Corporation; and our old friend, Mr. Ed L. Harper, president of the American Railroad Association.

We welcome you all, and I think we will take you in a slightly different order, but we will begin with Mr. Donohue.

STATEMENTS OF THOMAS J. DONOHUE, PRESIDENT, AMERICAN TRUCKING ASSOCIATIONS; EDWIN L. HARPER, PRESIDENT, ASSOCIATION OF AMERICAN RAILROADS; AND JOHN G. ROACH, PRESIDENT, ROACH CONSULTING CORPORATION

Mr. DONOHUE. Thank you very much, Mr. Chairman. We are very happy to be here.

Today, I would like to add two sets of comments to the testimony that you have already heard. One is to say a word about the Commission and how it functioned from my perspective, because I think it is instructive as to where we go in the future; and then to briefly elaborate on four specific recommendations. Beyond that short testimony which I have prepared, there are two comments that have been made today that I would also like to just say a word about.

This is a Commission, it has been said, made up of very different types of people in terms of their professional preparation and employment; and I would say that we had a unique circumstance because we spent almost a year unfunded, and we met in the most legal forums that we could—sort of hallways and other things—until we were then funded, and then we began our official work. But that early time gave us an opportunity to really become acquainted and to become friendly. I mean, these were people with very different points of view, and we moved forward in a sense of, we call it now after it is done, of cooperation, but it was a sense of education and some conflict; and much of the credit goes to our chairman, who dealt with this matter not only from the perspective of his own business, but from a broader perspective of trying to drive some consensus.

And, for me, one personal reaction was that in the freight business, we got to some—not agreements, but understandings pretty quickly because that is driven by markets.

When we got into the movement of people—and by the way, freight doesn't vote, but people do—we got into the movement of people, that was quite an education for many of us; and I thought the debate was very, very helpful and healthy, and it should lead to, in my view, some more productive resolutions of these problems on an administrative and legislative basis later on.

Second, let me say just a word about this intermodalism. It has to be seen, we have come to understand, in the context of what is going on in our country, and that is, we have an economic growth rate that is percolating along pretty well, but if we were to lower that rate to about 2.8 percent a year and run that line out through

the year 2000, and if the railroads could double their intermodal freight and if the air cargo business could multiply again and again, the truckers would still have to move about 30 percent more freight and drive about 31 percent more miles and put 14 percent more heavy trucks on the road.

Now, that drew for all of us in the freight business a very simple set of conclusions, and that is, we have got a lot more freight to move if we are going to sustain the economy; and therefore, if we are going to double up what the railroads are doing and significantly increase what air is doing and drive up the trucking business to—it is starting to run up 400-and-some-odd billion a year with 8 million employees, we have got to do some things together that make sense.

And that was where some of our recommendations came from, and I would like to address them with an understanding that what we were concerned about was the basic issue of mobility in this country—mobility of people and mobility of freight on systems that were often either interdependent or often on the same systems. And so as we went forward and looked at these recommendations—I will just mention a few.

Obviously, the conclusion on an early time—hopefully, before Congress leaves either this week, or if they come back again, you know, Lord pray, to the Nation's system on a lame duck session—we need to get the national highway system done; and it needs to be done because that will put the money into these connectors and other matters 2 years ahead of time.

We addressed the question of connectors. I mean, all one has to do is go to Chicago to look at what it is like to try to get a truck to an intermodal freight facility or to get to the airlines to bring freight there, or to move people in those systems and—

Mr. SWIFT. I have been told just getting them from the port to the freeway in Chicago can be a major hassle because there is no easy way to get through traffic in Chicago.

Mr. DONOHUE. Well, that is exactly right, and if we want to get into port operations, we had a—ATA and somewhat on behalf of the Commission, I had dinner with all the important people just a few weeks ago, and they didn't want—they are fine once they get out in the water. Their problem is what happens on land, and you are so correct about this, and it is one of our—so connectors are the thing that we all agree on, and I would encourage, as the major payer into the Federal Highway fund, our representatives, the use of that money to build connectors to rail heads, to airports, to ports and so on to free up and assure the mobility of this traffic.

Second, there are, and there will be serious delays at our international borders. Today, we run a million plus crossings between the United States and Mexico. We are going to go to 6 million before the end of the century, and if we don't do something about Customs, we are going to have trucks coming into the United States backed up to Caracas, Venezuela.

Now, we all saw the Commissioner of Customs this week has come out with some of his own reorganization plans, and I think many of these will be helpful, but we are going to have to use new technology, new investment schemes, privatization and other

things to meet this; and we have spoken to that in our report, and it is important that it gets consideration of this committee.

I think—another matter which I hope the next time you have the members of the government back you will ask them about is the whole question of how we do our procurement. Procuring infrastructure in this country costs us a large share of finally getting it done. We have a process that is very convoluted, and the reading of our report suggests some ways that it can be done in a more integrated, a more thoughtful, and we believe a highly more cost-efficient way.

Let me address the next-to-last point here, or my last formal point, and that is the issue of relating transportation policy to other government policies. This California FIP, which you have heard discussed here today, would take California, if it were implemented today and make it a Third World economy, put a million people out of work and cost its economy up to \$50 billion. If it were not so sad, it would be funny.

Now, the Secretary of Transportation, after the fact, wrote one of the most—one of the clearest and most direct letters outlining what this FIP would do to transportation. The problem was, it was after the fact; and had there been a White House Council, such as our chairman discussed today, where these matters could have been considered ahead of time, we wouldn't have to write it after the fact. We could have resolved it before the fact.

And I simply call to the attention of the committee that an environment—in OSHA, in all sorts of well-intentioned activities—we may well be putting ourselves in a position that we will have a safe environmentally pristine and very fine environment in which to conduct our business; the only thing, there will be no business and there will be no jobs and we will be in very serious condition in our industry. And I call to your attention the opportunity to do something about this in the way we put our recommendations.

Now, with your permission—I am just about to end—I would like to comment on two points made here. One is the question on deregulation and safety. That has always been the argument of people that don't want to deregulate. In our business, which has deregulated around 1980 and then deregulated again just recently, we have increased the miles we have driven in heavy trucks since deregulation by more than 40 percent, and we have reduced the rate of fatalities by more than 40 percent, and that is because of the actions we took as a competitive industry—commercial driver's license, roadside inspections, drug testing, better management within our companies—and it has happened in every industry that has been deregulated in the manner that it has happened to railroads and trucks.

The second point I would like to make, I would like to comment on our chairman's question about grade crossings. It does need to be addressed. There were about 20,000 grade crossing accidents last year in the United States. Less than 10 percent of those were with commercial trucks, but there are things we can do if we look at it from an intermodal point of view and we make resolution of these situations where it just makes sense. I mean, common sense solves so many problems in our business, and so I would encourage your attention to that.

And finally, Mr. Chairman, let me add my voice to the others and to many that you will hear in the coming weeks. We are really sorry that you are not going to be sitting in that seat. It comes back to my comment about common sense. You have brought a great deal of it to our debate and you have been very helpful to our industry and to our—to the whole transportation industry; and you will be missed, and I thank you very much.

Mr. SWIFT. You are very kind. Thank you.

[The prepared statement of Thomas J. Donohue follows:]

STATEMENT OF THOMAS J. DONOHUE, PRESIDENT AND CEO, AMERICAN TRUCKING ASSOCIATIONS

I am Thomas J. Donohue, president and CEO of the American Trucking Associations (ATA), the national trade association of the trucking industry. The ATA federation includes affiliated associations in each State and 11 conferences. Together, ATA represents every type and class of motor carrier in the country. Combined with ATA's direct membership, we are a federation of over 40,000 member trucking companies.

Thank you, Mr. Chairman, for scheduling this hearing and the opportunity to testify on the report of the National Commission on Intermodal Transportation. I will rely upon our very able chairman, Rob Krebs, to summarize the Commission's overall activity and our full slate of recommendations. The Commissioners have been well served by his leadership.

Today I propose to do two things: (1) provide an introductory word about the work of the Commission and the status of freight intermodalism; and (2) elaborate briefly on four specific recommendations.

As you know, the Commission contained a diverse membership, including individuals with experience in both passenger and freight transportation. I was impressed with the spirit of cooperation and openness that characterized our deliberations.

Dealing with both passenger and freight intermodal issues is very important to the country. Many of our 12 core recommendations are intended to improve the status of passenger and freight intermodalism in equal measure. Personally, I have learned much about passenger intermodalism and passenger transportation problems that is of great value to ATA.

Today, however, I will speak primarily about the importance of this report for trucking and for freight transportation generally.

With a single word, "intermodalism" captures much of the change and the opportunity that is driving freight transportation today. We are seeing not just change, but accelerating change. Change globally, change locally—change that alters the very foundations of our businesses.

The demand for trucking services is growing. Trucks will haul 30 percent more freight and travel 31 percent more miles in the year 2000 than they did at the beginning of the decade. Likewise, rail intermodal movements and air cargo shipments will see rapid increases. Many of the freight moves will be faster, lighter and more information intensive. Customers will care less about how the freight gets there, more about whether it gets there as scheduled, undamaged, and for a good price.

Common business interests are therefore eroding longstanding differences between the modes, for example, among the truck and rail communities. The blurring of distinctions among industry segments will continue to grow as value-added services such as inventory management, pooling, repackaging and other sophisticated logistics operations become commonplace.

Until recently, we in the freight community have not been very adept at finding our points of agreement—and not very smart at taking advantage of them. I truly think that is now changing.

In short, we are seeing a convergence of interests and coordination of operations linking freight transportation providers and shippers. By convergence I mean not only the substantial cooperation needed to make intermodal transfers work, but also the increasing web of alliances, preferred provider contracts and shared information that is linking mode to mode, shipper to transportation provider. We are at the beginning of a dramatic transformation. To serve our customers, we are finding new and better ways to make freight transportation seamless, safe, and highly cost-effective.

While we are juggling these changes with one hand, we are using the other to manage challenges that threaten to decrease operating efficiency and restrict our greatest asset—our mobility. I'd like to emphasize just four areas raised by the

Commission where appropriate action by the government can improve our ability to move freight more efficiently, competitively, and safely.

First, the Commission strongly supports the designation of the proposed National Highway System (NHS) and "urges DOT to designate, within 1 year of enactment of the NHS, intermodal connectors as a part of the NHS" (p. 27).

We noted that "inadequate roadway access to the intermodal freight system is a barrier to the intermodal freight system and a major contributor to urban congestion" (p.27). In hearings across the country, we invariably heard complaints about the connector issue. So I would simply reiterate our support for quick passage of the NHS and call attention to the importance of improving intermodal connectors.

Second, the Commission concluded that "delays at port and border areas reduce the reliability of intermodal operations" (p. 27). Further, "these problems are primarily institutional in nature" (pp. 27-28). As traffic at the borders with our NAFTA partners continues to grow, these issues will require increased attention by the government agencies involved in partnership with the private sector.

Third, the Commission was encouraged by Vice President Gore's National Performance Review and the Clinton Administration's focus on reducing unnecessary red tape. Our tenth recommendation identifies a major problem that prevents the American people from getting maximum value from our scarce transportation dollars.

We conclude that "sweeping changes are needed in the rules that govern the Federal and State procurement process for transportation infrastructure planning and investment" (p. 35). FHWA road-building is bogged in a morass of outmoded regulation. The FAA hit the same wall in managing its equipment modernization program.

We need to start from scratch and design a new, more flexible and effective Federal procurement system for roads and bridges. A high-profile, clean-paper effort to reinvent the procurement process would deliver needed infrastructure faster. This can surely be done without compromising accountability for tax dollars.

Fourth, the Commission recommends "creation of a White House Cabinet Council to facilitate the integration of Federal transportation and environmental policy" (p. 36). The draft Federal Air Pollution Implementation Plan in Southern California is only one illustration of regulatory activity guided by a lack of knowledge of freight transportation operations. The economic impact is difficult to overestimate.

These issues merit coordinated review at the highest levels of government to resolve the underlying problems we have identified.

Mr. Chairman, these are but four of the important areas of focus for the Commission that I wish to highlight for the committee. Other recommendations—for example, those regarding Department of Transportation structure and infrastructure investment—are equally important to improving intermodal freight transportation and merit close study.

Mr. Chairman, I understand this is your last Congressional hearing before retirement. I want to congratulate you on a distinguished career in the House of Representatives and wish you well in your future endeavors.

I am grateful for this opportunity to testify and would be pleased to answer any questions.

Mr. SWIFT. I would like to recognize Mr. Harper.

STATEMENT OF EDWIN L. HARPER

Mr. HARPER. Thank you very much, Mr. Chairman. I am not a member of the Commission so I can say, the Commission has done a superb job. Rob Krebs, as chairman, generated in this commission the same spirit of cooperation across the modes that has made intermodalism such an outstanding success story.

Mr. Donohue, Mr. Bird, other members of the Commission, deserve our appreciation and commendation.

Railroads, of course, are at the forefront of the intermodal revolution. Our industry's loadings of containers and trailers have increased every year. In fact, we have set new records every year since 1982, and this year the growth is greater than ever—year to date, up 14 percent. So indeed it is timely to talk about intermodalism.

Like the Commission, the AAR beliefs that continued intermodal growth can provide important social, economic, and environmental

benefits to America, and the Commission has presented a detailed and thoughtful agenda of policy recommendations for improving the intermodal transportation system. Perhaps most importantly, the Commission has identified the key barrier to the development of a national intermodal transportation system, that is, the fact that policy-making is still modally compartmentalized. Policy-making must become multimodal if the Nation is to achieve an efficient intermodal transportation system. Let me address briefly some of the Commission's specific recommendations.

First, intermodal connections: As the Commission notes, the weakest links in the current transportation system are the points of transfer between the modes. AAR has been working with other transportation and shipper groups in a coalition led by the Intermodal Association of North America, IANA, to develop a joint agenda on intermodal connections. Like the Commission, AAR and its partners endorse a 1-year time frame for designating connectors on the national highway transportation system. AAR also supports future flexibility in designating new corridors on the NHS to respond to changes in freight flows; and finally, we urge the Congress to ensure the connectors have adequate funding.

Highway grade crossings: Here we strongly support the Commission's recommendation that DOT set a schedule to eliminate grade crossings from the NHS and from the future national transportation system where practical.

Innovative financing: We support the efforts to explore innovative financing of intermodal projects. However, let me express our concern that some might extrapolate from the proposals in the Commission's report to direct Federal investment in major rail projects. Such Federal investments could revive interest in creating a unified Federal transportation program—in other words, a single transportation trust fund. We are concerned about that, because the railroads are unique in that they, of all the modes, own and pay for the complete maintenance of their rights-of-way. Thus, we would be concerned that significant, unique characteristic of the railroads not be recognized if there were a single transportation trust fund.

Mr. SWIFT. Mr. Harper, would you mind if I interrupted at this point. We have been checking on what the vote is, and it is not just a journal vote, which I ride through. It is a rule vote, and enough time has elapsed; if you wouldn't mind, we will interrupt your testimony at this point. I will come right back.

We will still get out of here by 11:30, but I want to devote attention to what you are saying and not worry about the vote. So I will be back in 7 minutes.

The subcommittee stands in recess.

[Brief recess.]

Mr. SWIFT. The subcommittee will come to order.

Mr. Harper, as were you saying when you were so rudely interrupted.

Mr. HARPER. Not at all.

Mr. Chairman, I was about to talk about DOT's restructuring and the Commission's recognition that DOT should be restructured to achieve the intermodal vision expressed in ISTEA as one of the report's most important recommendations, especially given the

need I mentioned earlier for fully multimodal planning. Of course, the nature of that restructuring will evolve through further study, but AAR strongly supports the suggestion that the DOT Office of Intermodalism receive greater resources so it can be a leader on intermodal issues in the Department.

Environmental issues: I would echo the concerns of Mr. Donohue.

Finally, we agree with the Commission's recommendation that environmental regulations be developed that are sensitive to the Nation's transportation needs while meeting our environmental objectives. One example the Commission cites is California's pending Clean Air Federal Implementation Plan. EPA's current proposal for a 70 percent reduction in rail emissions would severely and adversely affect railroad's ability to compete effectively, or even to operate in southern California. Better coordination between environmental and transportation goals will be necessary to avoid this undesirable outcome. The Commission's proposed White House Cabinet Council is one way to provide this coordination.

I would like to thank the committee for giving the AAR this opportunity to express its support for the work of the Intermodal Commission. I would be happy to answer any questions, but before that, Mr. Chairman, I would just say that the truckers and the railroads are great partners these days. We still compete from time to time, and one of the things that I would compete with Mr. Donohue on is to express our thanks for your fine leadership in this committee. It has indeed been a good thing for the entire transportation industry.

Mr. SWIFT. Thank you very much.

[The prepared statement of Edwin L. Harper follows:]

STATEMENT OF EDWIN L. HARPER

My name is Edwin L. Harper. I am president and chief executive officer of the Association of American Railroads, representing the principal freight railroads of the United States, Canada and Mexico. AAR members employ 89 percent of rail employees and account for 96 percent of rail annual ton-miles and 91 percent of annual rail revenues. I appreciate this opportunity to address the subcommittee on the report of the National Commission on Intermodal Transportation.

The Commission has done a superb job. It has identified the key problems that face the Nation's growing intermodal transportation system and it has suggested a detailed agenda of thoughtful, innovative solutions to those problems. Rob Krebs, as chairman of the Commission, generated a spirit of cooperation across the modes that has made intermodalism and this Commission such an outstanding success story.

The railroad industry agrees with the Commission that the "benefits of a National Intermodal Transportation System are enormous." Like the Commission, the railroads believe that a stronger intermodal system can lower transportation costs; increase economic productivity and efficiency; reduce congestion and the burden on overstressed infrastructure; generate higher returns from public and private infrastructure; improve mobility; and reduce environmental and energy costs.

Railroads are, of course, leaders in the intermodal revolution. The growth in the industry's intermodal business has been nothing short of sensational (Exhibit 1). Rail loadings of containers and trailers have increased every year since 1981, with new records set every year since 1982. This year's growth has been the greatest yet—more than 14 percent over the corresponding period in 1993.

In fact, intermodal traffic is now the rail industry's second largest source of revenue, trailing only coal (Exhibit 11). And with sharp growth continuing, that share will almost certainly rise further. In fact, if current trends continue, intermodal traffic will soon rival coal as a source of revenue for railroads.

Of course, the success of rail intermodal would be impossible without a partnership with other modes. Railroads have worked together with truckers, steamship companies, third parties, and barge lines to make intermodal transportation the

success it is today. The rail industry recognizes, too, the crucial role that sound government policy can play in creating an efficient intermodal system.

As I noted, the Commission has presented a detailed and ambitious agenda of policy recommendations for improving the government role in promoting an efficient intermodal transportation system. AAR will fully study and assess all the Commission recommendations. But let me suggest an initial response to the most important of those recommendations. I will begin with the Commission's key findings about the current barriers to an improved intermodal system.

The Commission identifies three barriers to the development of a fully intermodal National Transportation System. All, however, are variations on a single theme: transportation planning, transportation funding, and government institutions remain unable to fully accommodate intermodalism. The reason, as the railroad industry has long argued, is that transportation policy is still locked into outdated, modally compartmentalized categories that do not—and cannot—recognize that transportation today is increasingly multimodal.

The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) was a first important step away from this single mode focus. The Commission's report, which, of course, grows out of the ISTEA, is a further step in the right direction. Indeed, if Congress and the Executive Branch can carry away only one message from the Intermodal Commission, I would suggest that message is the following: *fully multimodal policy making is essential to achieving an efficient intermodal transportation system.*

The Commission supports twelve steps, each with several detailed recommendations, for overcoming the barriers to an efficient system. The remainder of my testimony addresses seven of those recommendations that are especially relevant to the railroad industry:

Intermodal Connections—As the Commission notes, the “weakest links in the current transportation system are the points of transfer between modes.” AAR fully agrees with the Commission on the importance of improving these “intermodal connections.” AAR has been working together with other transportation and shipper groups—including the Intermodal Association of North America (IANA), the American Trucking Associations (ATA), the American Association of Port Authorities (AAPA), the National Industrial Transportation League, the Air Freight Association, the American Forest and Paper Association, the American Institute for Merchant Shipping, and the National Association of Manufacturers—to develop a joint agenda on intermodal connections. Like the Commission, AAR and its partners endorse a 1-year time frame for designating connectors on the National Highway System (NHS); AAR supports future flexibility in designating new connectors on the NHS to respond to changes in freight flows, and urges Congress to ensure that connectors receive adequate funding. Congress should also encourage States and MPO's to give greater emphasis to connector projects.

Highway Grade Crossings: AAR strongly supports the Commission's recommendation that DOT set a schedule to eliminate highway grade crossings from the NHS and from the future NTS where practical.

Border Reform: AAR agrees that delays and inefficiencies at border crossings are principally the result of institutional problems. AAR supports the Commission's recommendation that “Federal agencies work to remove these institutional barriers by working together with their Mexican and Canadian counterparts to increase coordination and streamline processing.”

Intermodal funding issues: Like the Commission, AAR recognizes the desirability of fully funding the ISTEA. Without full funding, it will be even more difficult to ensure that intermodal connections receive adequate investment.

AAR also supports efforts to explore “innovative financing” of intermodal projects. The Commission's suggestion that DOT serve as a clearinghouse for ideas, information and experience with innovative financing is a good one.

AAR is, however, concerned that these proposals could be extrapolated to direct Federal investment in major rail projects. Such Federal investments could revive interest in creating a unified Federal transportation investment program—a single trust fund. With such a trust fund would inevitably come demands that railroads be asked to pay the taxes imposed to support the unified fund. This would add to the costs of the industry's present expenditures on privately-owned-rights-of-way. Moreover, the trust fund would almost certainly support both freight and passenger rail. The freight railroads could end up subsidizing, through their tax payments, passenger service unable to pay its way through its own revenues. AAR is concerned, too, that government investment could bring burdensome new conditions or obligations with it, without concomitant public or private gains.

Of course, AAR recognizes, like the Commission, that there is ample scope for infrastructure financing in areas that do not involve direct Federal investment in rail

facilities. AAR and its members look forward to working with Federal, state, and local governments, as well as other transportation providers, on such projects.

The Commission's recognition that "DOT should be restructured to achieve the intermodal vision expressed in ISTEA" is one of the report's most important recommendations. The nature of that restructuring will, I believe, evolve through further study, but several of the report's suggestions seem meritorious. AAR is particularly supportive of the suggestion that OST's Office of Intermodalism receive the necessary resources to take the lead on DOT's intermodal initiatives.

AAR fully agrees with the Commission's recommendation that environmental regulations be "developed that are sensitive to the Nation's transportation needs while meeting our environmental objectives." The Commission's proposal of a White House Cabinet Council to better integrate Federal transportation and environmental policy deserves serious consideration.

The Commission discusses California's pending air quality Federal Implementation Plan and its effects on transportation goals. Railroads are the only industry to have submitted to EPA a comprehensive, affirmative proposal to reduce emissions in southern California. The railroad program addresses the unique air quality problems of the Los Angeles Basin without threatening the economic competitiveness of the region's ports or the environmental balance of its multimodal transportation system. Under the plan, railroad emissions in the South Coast would fall by 55 percent.

EPA's proposal, however, for a 70 percent reduction in emissions would severely and adversely affect the railroads' ability to compete effectively, or even to operate, in southern California. Better coordination between environmental and transportation goals must be forthcoming.

As the Commission recommends, training and resources must be provided to MPO's if they are to adequately fulfill their ISTEA responsibility for freight planning.

EXHIBIT I

Intermodal Freight's Record Pace

Millions of Trailers/Containers

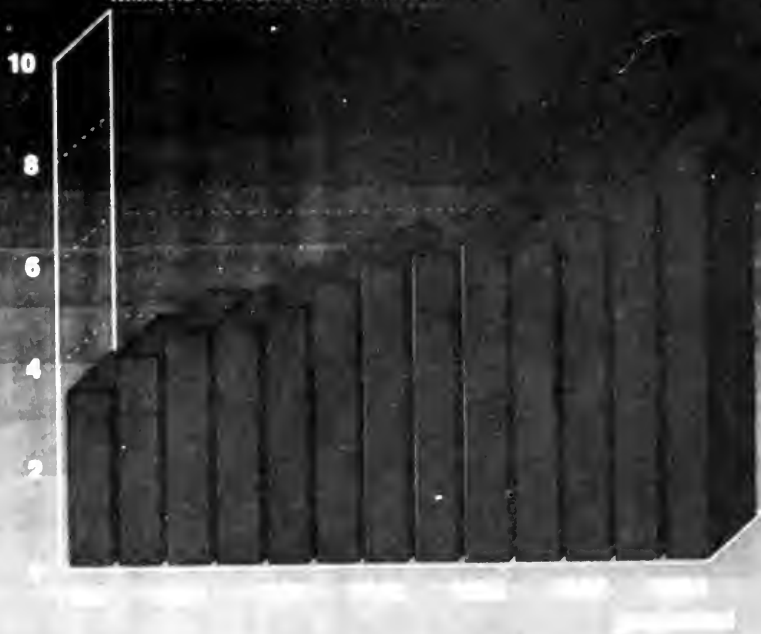


EXHIBIT II

Intermodal Freight Second Only to Coal

Source of Revenues

25%

20%

15%

10%

23%

15%

14%

9%

Coal

Intermodal

Chemicals

Other

Transportation

Mr. SWIFT. Mr. Roach, who is also a member of the Commission and is president of the Roach Consulting Corporation.

STATEMENT OF JOHN G. ROACH

Mr. ROACH. Good morning. Following Chairman Krebs's excellent summary of our Commission's deliberations and findings, my responsibility is to address in some additional detail the Commission's thoughts on the development of a truly efficient intermodal transportation system.

Our observations and recommendations flow from several premises:

First, the various components of our transportation system must be healthy for the system to reach its full potential;

Second, in order that rational choices can be made for passenger investment, the full promise of ISTEA flexibility must be realized;

Third, we must employ a variety of funding techniques, including public-private partnerships, to obtain the investment which is required in an atmosphere of budgetary restraint;

Fourth, we must develop ways in which we can more fully explore joint use and improvement of existing infrastructure; and

Fifth, DOT's structure and practice must operate to further the policies emphasizing choice and flexibility within—that underlie ISTEA.

Your review of the material in our report will indicate that we have addressed each of these premises while attempting to remain within the bounds of fiscal reality.

As has been reported in the media and in testimony before congressional committees, Amtrak cannot participate in the system as a fully contributing element given its current financial situation and capital deficit. Obsolete equipment and facilities translate to operating losses, poor service, and consequent revenue decline. As a beginning point, the company must be recapitalized and its equipment brought up to a contemporary standard.

The ability to make rational choices for investment depends upon funding flexibility at both the State and the Federal level. Restrictions on the use of ISTEA funds for Amtrak service or on the airport ticket tax or facility fees for off-airport access remain as significant inhibitions to the funding flexibility required to make rational choices.

State inflexibility in the expenditure of local match funds make a mockery of the flexible promise of ISTEA. These deficits and flexibility must be addressed if the promise of ISTEA and the efficiency of a truly intermodal system is to be realized.

It is not always necessary to fund innovations or intermodal projects wholly through appropriated funds. The financial study commissioned for the State of Illinois with respect to a high-speed rail corridor between St. Louis and Chicago suggests that for an equity investment of up to about \$112 million, depending on various scenarios, with and without Federal credit guarantees, that the system could be put in place and cover the balance of its operating and capital cost through generated revenue. These funds could be made available through additional flexibility in ISTEA and would represent but a fraction of the total project cost, and compares to the cost of a medium-sized highway interchange, \$112 million.

The use of syndicatible tax credits analogous to techniques used to fund low-cost housing can provide a way to raise equity for equipment or for equity to construct intermodal terminals. Use of ISTEA funds for a sinking fund or as a guarantee reserve promises additional public-private financing techniques.

Finally, full use of existing facilities and their upgrading and capacity enhancement offer public-private solutions which can fully employ existing and proposed investment to create facilities which are fully utilized and yield increased service levels for all their users.

The chairman's company has entered into a cooperative funding arrangement with the State of California in the San Joaquin Corridor to provide improvements to both freight railroad and rail passenger service. The Metrolink experience in Los Angeles is yet another win-win example in which public funds have been paired with private investment to speed freight service and provide passenger capacity.

These agreements have to be negotiated and the rights of the parties protected. However, they are far more efficient than the endless duplication of facilities which has often been the pattern in the past.

The Department of Transportation must act as an advocate for intermodal investment, for process of rational choice, and must offer a uniform, streamlined, user-friendly and proactive education and review process. It must lead in rationalizing legitimate environmental concerns with efficient processing and capital needs, must offer a single-analysis paradigm which encourages local decision-makers to plan for the future of their communities—intermodal projects as well as various modal projects. Intermodal projects must not be programmatic orphans or they will not be developed and built.

In relationship to the chairman's question, once people are turned off at the local level about putting bus bays in at the Everett Station, few people are going to journey into Washington to importune the Assistant Secretary in charge of Intermodalism to build some bus bays. Clearly, the word has to get out at the local level; and I would suggest that remains a serious problem with the Department.

Just a day or so ago, we had an initial meeting on a transportation corridor that is under consideration in St. Louis, which would involve both highway and transit investment. The Federal highway representative from Kansas City came to the meeting, spent most of the meeting decrying ISTEA and all its works and how this really caused all kinds of problems, and was not very interested in cooperating to further this intermodal effort. And all that reflects is the fact that oftentimes the word has not gotten to the field, even though it may have penetrated some of the buildings around here.

We believe that the Office of the Secretary must set the policy and discipline the modal administrations to the new thinking that is embodied in the legislation. Passenger recommendations of the Commission are bottomed on the conviction that full use of existing and future facilities will enable the public to wring additional benefit from the system, and further, that a coordinated system offers

the promise of high performance while minimizing the endless disruption of unnecessary airport construction and additional road widening beyond that which is really required.

We are convinced that an attractive, coordinated transit facility, connected to airport and intercity rail services, connected by feeder systems with access by pedestrians, motorists and bicyclists will not only deliver more bang for the buck, but relieve urban congestion, which is the bane of the Nation's freight system and is what clogs the arteries for Mr. Donohue's truckers.

We know that the exercise of these choices can preserve neighborhoods, make cities and urban areas more livable, create commercial opportunities, and lead to a more rational land use pattern.

Mr. SWIFT. Thank you very much.

A couple of comments. I serve a district that is on the border, and we deal with Customs and Immigration. If you think Customs is bad, check out Immigration sometime.

But from your standpoint, the Customs is very important, and I think that at some point, the Department of Transportation and others are going to have to weigh in and try to get greater cooperation. Those are two agencies who have been laws unto themselves for decades. It is not a new problem; it is a very old problem. They are agencies that seem to operate on the basis that commissioners come and go, and we will be here after they are gone, and they are almost immutable. I recommended to the Vice President they abolish both of them and create a whole new agency that was integrated and so forth and so on.

So that, I agree with you, is a very serious problem. I don't think it is going to be an easy one to resolve, but you are going to have some cooperation from the administration, I think, in order to be able to do that.

Clean air, that Los Angeles area is one of the most difficult problems you can have. What we were told when we last wrote clean air is that probably Los Angeles can never meet the standards. They built the town in the wrong place. I mean, they didn't know it, but the geography is such that you put that amount of people and cars and everything else there, you are going to have air that is bad.

And the problem is that under the Clean Air Act—the way it is written, and it is hard to write it another way—if you don't try to meet standards, you are basically telling the people that their air, by definition, is unhealthy to breathe, and that is a very difficult thing for a government to say. We are now making a decision so that your air, by medical definition, is unhealthy to breathe; and yet, if those two statements are true, that it can't be cleaned up and the air will therefore be unhealthy to breathe, that is a terrible public policy dilemma; and probably the crisis that you people are seeing in that area now may help bring to a head a very tough call that is going to have to be made at some point.

Just a couple of questions. Mr. Roach, you are well versed in the area of passenger intermodalism and you addressed some of that. Could you tell me if the idea of freight intermodalism has caught—it has caught on? Does passenger intermodalism seem to be lagging behind? And if so, why?

Mr. ROACH. Well, I think that what has begun to happen is that we are seeing some intermodal investments. I mean, for example, in St. Louis we built our transit line out to the airport. It provides a way to go downtown and has relieved some considerable congestion. At the same time, what we find is that many of these intermodal projects have a tendency to be bureaucratic orphans. I mean, it becomes a question of who is responsible, who is accountable; and what happens is that if a place doesn't have a home, or an idea, a project, if it doesn't—if it doesn't have a bureaucratic and funding father, it is often among the homeless and it becomes abandoned. And so I think to the degree that we advocate here in Washington and that the word gets out into the hinterlands and that it has a—and that there is jurisdiction for intermodal projects, and indeed they are, if anything, favored in funding and in administration, that we can solve many of these problems.

That is something that is coming to be over time. It is something that can be reinforced in the reauthorization of the ISTEA legislation by increasing flexibility, as I have indicated and recommended, and as the Commission has recommended; but more than anything else, it is a matter of making the administration of the money and the grants and so on conform to the promise and ideology and premise which lies behind the legislation.

Mr. DONOHUE. Mr. Chairman, if I might just say—

Mr. SWIFT. Absolutely.

Mr. DONOHUE [continuing]. it is the motivation behind each that gives you an indication of what the effect is. Freight movement is motivated by private market demand. We have got to get it there to be competitive, and we have gotten intermodal not because we are in love with the other mode, but because it is a way to do it in a more efficient way for our customers, and it is primarily financed by the private sector. Some would argue that the roads aren't financed by the private sector, although the trucks pay a huge portion of that.

The second matter is in the movement of people. It is generally a public policy, as well as a—some small demand from elements of the community that desire that type of intermodal transportation. But it is government funded, and therefore it works at a much slower pace and it is not being driven by the same market forces. That is not to suggest that it is not just as important or that it doesn't have a corresponding effect on the movement of freight, but if you want to know why one is going faster and one is going slower and one is being run by the private sector and the other is being run by the government—

Mr. ROACH. They are both, by the way, motivated by money and—I mean, but what has happened is the mechanism for the administration of that doesn't track as the private market tracks in the freight situation.

Mr. DONOHUE. And the return on investment is clearly different. I mean, if you look at the things that Mr. Harper and my members are doing, I mean, they basically look at the matter and say, if we make these investments, if we make these capital investments, if we do these things together, what is the return to us? Whereas in the public transportation business, be it air or rail or transit or so on, the return on investment is clearly a different matter and the

people that are making the investment look at return in a totally different way. And it is very important to understand, I am not making a value judgment about each one, but it is an indication of what the motivation and what the speed factor is, and that is why freight is a little bit ahead.

Mr. HARPER. Mr. Chairman, if I may, I think there are some important perceptual differences in the public arena which translate to public policy as well.

Playing off the comments earlier, you will remember that we had a disruption in rail service a year or so ago, and it was interesting to look at the reports in the newspapers that the Nation's manufacturing sector was grinding to a halt, but the newspaper stories instead focused on a few—100,000 commuters, indeed, each one of them very important people, but you read the news stories and you would read 17 inches of commuters delayed and disrupted; and there would be an inch down at the bottom, meanwhile, the Nation's rail system has shut down and plants are going to lay off people, and things like this. There is a perception that everything focuses on the commuter.

The public policy is there, but the undergirding impact on the economy is not well perceived in the media and by the public. Freight is inadvisable. I think, as Tom said, it doesn't vote; and therefore the focus is one place, the action in an economic sense is someplace else.

Mr. SWIFT. And yet it is extremely difficult to get public moneys to deal with passengers.

Mr. DONOHUE. But there is \$10 billion sitting in the Federal Highway Trust Fund that does not find its ability to move towards positive projects very flexible or very quick. That money has been there a long time, and it is not, by the way, only unwillingness to spend it. It is the difficulty in spending it.

Years ago, we built transit and light-rail systems, and we built them; now, first, we have to do an Environmental Impact Statement which maybe we can get done in 5 years. So there are public policy issues that mitigate against what might be in the society's best interest as it relates to the movement of people that doesn't have the same market forces driving it as does the movement of freight.

Mr. SWIFT. Mr. Roach, do you—

Mr. ROACH. Well, I spent my time on the airplane coming up here yesterday reviewing the new rules for the so-called major transportation investment. I am involved in a couple of different corridors in St. Louis, and in the knowledge that the alternatives analysis on one of them is going to be a 24-month process, then preliminary engineering will be a couple of years. This is if it all goes smoothly and construction follows that, so we are really looking at an 8, 10-year window.

And one of the things that the Commission has addressed is this whole procurement issue, do we really need to take this much time to put together these various things which can cause our infrastructure to operate in a much more efficient fashion? I mean, do we really need to make these—to build our initial starter line for light rail was a 12-year process. It would seem to me that suffers from at least some excess of deliberation.

Mr. SWIFT. That sounded like the chairman of the full committee would say it.

I want to thank all three of you. We kind of missed 11:30, but we are still in pretty good shape.

The report of the Commission, I think is terribly important and, again, if DOT could really try to get us their response in 45 days, so we can put a package together for successors—and I presume all of you will be around to help people in the future try to focus on these issues. We have appreciated very much your participation today.

One last question. Some members might wish to submit some questions in writing. I hope all the witnesses would be willing to respond in writing, and I am going to ask unanimous consent that the record be held open for 30 days.

Without objection, so ordered.

Thank you all very much. This subcommittee stands adjourned. [Whereupon, at 11:45 a.m., the hearing was adjourned.]

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